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CORPORATE GOVERNANCE, STRATEGIC CHOICES AND PERFORMANCE OF UNIVERSITIES IN KENYA

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***Abstract**: Existing literature point to the important role played by corporate governance in shaping the strategic direction of an organization through alignment of resources with the corporation's external environment to spur superior performance. This is in addition to the seminal arguments in the Upper Echelons theory that organizational outcomes are a product of top management team's strategic choices. Yet the role of strategic choices in the relationship between corporate governance and organizational performance remain underexplored. This study therefore sought to establish the mediating effect of strategic choices on the relationship between corporate governance and performance of universities in Kenya. The study adopted an explanatory survey research design with 248 respondents formed of universities' management board members and senior management academic staff (deans/directors/HoDs). Structured questionnaire was used to collect data analyzed using descriptive and inferential statistics. Findings revealed that corporate governance significantly influences organizational performance at $R^2 = 0.213$, $F = 43.410$, p-value<0.05. The study further established a partial mediating effect of strategic choices on the relationship between corporate governance and organizational performance. When the mediator (strategic choices) is introduced into the relationship between corporate governance and organizational performance, an R^2 change of $\Delta R^2 = 3.0\%$ is obtained, proving existence of a mediated relationship. The study, thus, concluded that putting in place an effective corporate governance framework supported by appropriate strategic choices considerably enhances corporate performance. The results present important implications to management of corporate entities, policy makers, and stakeholders in the higher education sector in Kenya and beyond.*

***Keywords**: corporate governance, strategic choices, organizational performance*

1.0 Introduction

Recognition of the need for good corporate governance in university education globally has risen over the years as a result of the emerging trends and challenges that have impacted directly or indirectly on performance of universities. According to Fielden (2008), internalization and rapid expansion of university education are major challenges that have attracted the attention of governments to put in place corporate governance frameworks that would ensure efficiency and effectiveness in both public and private universities. Salmi (2009) observes that high-ranking universities in the world for example had acquired their statuses as a result of appropriate corporate governance they had practiced over time.

Corporate governance is a system by which companies are managed, objectives are set and achieved, risk is monitored and assessed and performance is optimized (Hamilton, 2003). It provides a framework through which companies set objectives and the means for achieving those objectives and their implications to performance are put in place (OECD) (2004). This is therefore an important indication of an existing relationship between corporate governance and organizational performance. McCann (2004) argues that organizational performance is the efficiency and effectiveness of the firm in converting inputs into outputs. It is an organization's capability to attain its aims and objectives (Daft, 2000). According to Van den Steen (2013), strategic choices are the optimal objectives that a firm adopts to pursue value maximization. They are goals and plans that an organization sets to adapt and align with the internal and external environment (Gellerman & Porter, 1996).

Over the years, the world has experienced unprecedented expansion in university education both in terms of student enrolment and number of emerging universities. Currently, there are approximately 1,730 universities in the United States of America and Britain alone (Webometrics, 2019; Universities UK, 2018). India whose education sector is ranked among the fastest growing globally has about 819 Universities offering various degree programmes (Universities Grant Commission, 2018). There are about 200 million university students in the world today up from approximately 90 million in the year 2000 (World Bank, 2017). This expansion has equally occurred in Sub-Sharan Africa where "massification" of university education has taken root partly due to increased demand for university education among the region's youth (Sifuna & Sawamura, 2010; Nyangau, 2014; World Bank, 2017). Kenya has particularly recorded a 21% increase in the number of universities and university colleges between the year 2012 and 2018 (CUE, 2018), attributable to the advances made in primary and secondary school enrolments around the country (World Bank, 2017).

Although the call for global competitiveness among institutions of higher learning continues to grow louder by day, success stories with regard to performance of universities in Kenya in the recent years have been few and far between. Many challenges including unchecked expansion, reduced government funding, gender inequality, low research capability, maladministration of teaching and university examinations, corruption, unethical behavior among university staff and students, poor management of student and staff records, inadequate stakeholder involvement in the management of universities' affairs, communication breakdown, misappropriation and embezzlement of university funds, weak control systems, poor human resource management practices, poor living conditions for students, the spread of HIV/AIDS, crumbled infrastructure, poorly equipped laboratories and libraries and shortage of quality faculty, all which have been associated with questionable corporate governance practices have substantially undermined the performance standards of universities in the country (Wanzala, 2013; Ongong'a & Akaranga, 2013; Nyangau, 2014; Marwa, 2014; Monyoncho, 2015; Munene, 2016; Asesa-Aluoch, Wanzare & Sika, 2016 Okeyo, 2017; Taaliu, 2017; CUE, 2017).

Strategic management studies strongly acknowledge the role of corporate governance in creating an important interface between a firm's strategic direction and overall performance (Daily, *et al.*, 2003; OECD, 2004; Babu, 2013; Kamau, 2018), thus pointing to the existing relationship between strategic management and corporate governance. In strategic management practice, formulation of firm overall strategy is vested in the board of directors as stewards of corporate governance and agents of the shareholders (Babu, 2013). According to Organization for Economic Cooperation and Development (OECD) (2004), corporate governance provides a framework through which companies set objectives and the means for achieving those objectives. This is therefore an important indication of an existing relationship between corporate governance and organizational performance. The Capital Markets Authority (CMA), (2015) and OECD, (2004) indicate that best corporate governance practices entail board operations such as appointment, functioning, compensation, conflict management, formalizing governance policies, codes and guidelines, strengthening shareholder rights, improving control environment, diversity, ownership structure, improving accountability, transparency, ethics and sustainability.

Strategic choices have been identified as the means through which organizations synchronize their resources with the environment to effectively enhance performance. Scholars have pointed out that firms' survival and successes depend on both environmental forces and strategic choices made by such firms (Ndwiga, 2018; Kamau, 2018; Child, 1972; Judge et al., 2015). According to Van den Steen (2013), strategic choices are the optimal objectives that a firm adopts to pursue value maximization. These strategies are mainly endorsed by board of directors or their equivalents, making them a key pillar in corporate governance (Kiel & Nicholson, 2003). Yet, the effect of strategic choices on the relationship between corporate governance and organizational performance remains underexplored, leading to the question; Do strategic choices have an effect on the relationship between corporate governance and organizational performance of universities in Kenya? Performance according to Aluko (2003) is the execution and accomplishment of goals against present standards of satisfaction in accuracy, completeness, cost and speed. It is an organization's capability to attain its aims and objectives (Daft, 2000).

It has been pointed out that corporate governance is a key catalyst influencing how strategic choices affect performance in organizations. This is achieved through linking firms' mission and vision to the strategic choices made ((Ayuya, Awino, Machuki & Wainaina, 2017; Kamau, 2018). These choices bridge the gap between the organization's desired level of performance and her operating environment in a creative manner. According to Daily, *et al.,* (2003) effective corporate governance is thus important in matching corporate strategic choices and optimal utilization of firm's resources for enhanced performance.

Nonetheless, in spite of the evidence associating corporate governance to strategic choices for enhanced organizational performance, available literature present inconclusive and inconsistent empirical and conceptual findings which attract the impetus for further investigations on the interaction among the three variables. One school of thought views the board of directors or their equivalents as being responsible in informing the firm's strategic direction for value maximization (Mizruchi, 1983; Hoskisson, 1987; Holderness, 2003; Hambrick, 2007; Pugliese et al., 2009; Kamau, Aosa, Machuki & Pokhariyal, 2018). A contrary school of thought views the board of directors or their equivalent as inactive in strategy making and subject to management and CEO's manipulation (Lipton & Lorsch, 1992). Boyd (1995), argues that the participation of the board in strategic decision making is likely to make them co-responsible thereby putting at apparent risk the needed distance between the board and management in ways that would negatively affect the overall performance of the organization. Adams & Ferreira (2007) posit that in fact, some boards of directors unpleasantly impose their will on the top management, choosing to completely lose trust on the management team consequently undermining the top management team's authority. Further, while scholars like Heracleous (2001) and Kamau (2018) have argued that the board of directors influences strategic choices and their implementation, thus affecting corporate performance, Essen, Oosterhout & Carney (2011) found no association between firm's governance framework, and the strategic choices made to firm performance.

In this study, corporate governance was viewed based on three aspects; accountability, transparency and ethics. Strategic choices was measured based on corporate and business level strategies comprising strategic alliances, diversifications, concentration, divestments, differentiation and cost leadership while performance was assessed using eight indicators comprising; capability in research and innovation, number of market driven academic programmes, growth in number of students, growth and expansion of learning faculties and schools, growth and expansion of teaching and support facilities, efficiency of teaching and examination systems, efficiency of student disciplinary systems and financial surplus/deficits.

2.0 Literature Review

In this study, agency, stakeholder and the upper echelons theories were adopted for conceptualizing the relationship between corporate governance, strategic choices and organizational performance. The agency theory was found appropriate for this study because of its philosophy of separation of ownership and control between owners (shareholders) of a firm and professional managers (directors) as suggested Bhimani (2008) and Eisenhardt (1989). According to Shabbir & Padget (2005) the agency theory emphasizes that reduction of agency costs resulting from internal corporate governance structures should help improve firm performance. It holds that there is need for the setting up of rules and incentives to align the behavior of managers to the desires of owners (Hawley & Williams, 1996), thus it determines the governance mechanisms to be adhered through formulation of codes of corporate governance in order to reduce firm conflicts and attain wealth maximization through enhanced performance.

The stakeholder theory acknowledges that organizations do not only exist to merely maximize shareholder wealth, but has a responsibility to serve a wider social purpose and interests (Donaldson & Preston, 1995). Thus, there is need to take all their interests into consideration while making corporate strategic decisions (Freeman, 1984; Freeman, 2010; Lawal, 2012). It argues that firms are expected to extend their fiduciary duty and social responsibility to the local community and the environment in which they operate (Freeman, 1984) hence providing a mechanism for linking ethics and strategy in organizations. As such, corporations that conscientiously strive to serve the interests of a broad group of stakeholders build more value overtime translating to high performance (Freeman, 1984; Harrison & Wicks, 2013).

The Upper echelons theory was adopted for its idea that the strategic decisions made by organizations depend on the thinking, feeling, perception and the belief of their top management teams (Hambrick & Mason, 1984). Thus, organizational outcomes are partially predicted by managerial background characteristics of the top level management team. More specifically, the theory states that top managers' perception of their corporate environment influences the strategic choices they make which eventually affects the performance of the organization. It further argues that personal characteristics of top managers determine the aspects of the environment that they can "see" and what they see informs the decisions they make regarding strategic choices which ultimately affects the bottom-line of the organization (Oppong, 2014). The theory therefore creates an understanding of the important role of the top management team in influencing firm performance and emphasizing the mediating role of strategic choices in creating an interface between the top management team and organizational performance (Carpenter et al., 2004).

Studies examining the association between corporate governance, strategic choices and organizational performance so far remain scanty and hard to use as a basis for forming a conclusive opinion as to whether there truly exists a reliable linear relationships among the three variables. Evidence in the empirical literature is largely anecdotal and far between. Some researchers have however pointed out that corporate governance has an effect on strategic choices made by firms which in turn leads to improved organizational performance albeit with remote collection of evidence. According to OECD (2004), corporate governance provides the structure and practices through which organizational objectives are set, the means for attaining those objectives and monitoring of performance are determined. This is attained by establishing a board of directors or the top management team that is legally regarded as having the responsibility to formulate and deciding the strategic direction of an organization. Consequently, they are considered to be at a vantage position to inform the firm's strategic direction thereby influencing their performance outcomes (Pugliese et al, 2009).

Although the number of roles that the top management team performs vary, there are fundamentally two broad roles for every top management team. The first, and most debated role, is its monitoring role. In this role, the board is responsible for keeping informed and engaged with the firm to assure that the interests of the firm's stakeholders, and particularly its owners, are protected. With respect to the board involvement stream, the monitoring role also involves the board overseeing the execution of previously chosen strategies and tactics. This can occur in both ex post and ex ante situations (Dalton *et al.*, 2007). Thus, the board can oversee whether goals and plans of the firm have been realized (ex post monitoring) and/or observe the management team's decision-making with the intention to oversee whether these decisions can be expected to be successful to meet the firm's goals and aspirations (ex ante monitoring).

The second is the board's service role, which is still less investigated. Here, the board may take on direct responsibility for making major strategic decisions, such as in times of crisis or when confronted with CEO succession decisions (Mace, 1971) or it may take on a more indirect role for guiding the top management team in its strategic deliberations (Adams & Ferreira, 2007). While monitoring refers to notions of control and tends to constrain the firm's management, the service role is about support and aims at strengthening strategic decision-making.

Mizruchi (1983) posits that boards of directors engage in strategic choices by preventing managers from conducting themselves opportunistically at the expense of shareholders whose ultimate expectation is wealth maximization. Jensen & Zajac (2004) argue that there has been a general acknowledgement among scholars and management practitioners that having in place adequate board control and independence is important in achieving efficiency in the execution of their corporate strategic decision making roles. As very well observed by Hambrick (2007), when directors participate in strategic management processes, their perceptions and interpretation of the strategic issues confronting the organization will subsequently inform the strategic choices to be made by the organization.

According to Hoskisson (1987), organizational effectiveness is dictated partly by achieving a fit between control strategies and the strategic context of the firm. Boyd (1995) however, argues that the participation of the board in strategic decision making is likely to make them co-responsible thereby putting at apparent risk the needed distance between the board and management in ways that would negatively affect the overall performance of the organization. Adams & Ferreira (2007) argue that in fact, some boards of directors unpleasantly impose their will on the top management, choosing to completely lose trust on the management team consequently undermining the top management team's authority. Charan *et al.*, (2014) for example estimate that amongst roughly half of all Fortune 500 firms, there is at least one director serving on the board who tries to micromanage the senior executives and consistently damages effective strategy formation and execution. Today, however, it is widely accepted that one of the central responsibilities of any board or its equivalent is to set strategic direction for the firm and ensure its long-term survival and effective and efficient performance. The board needs to judge the appropriate level of delegation to the firm's top management that allows the board to be sufficiently involved while at the same time enabling the executive to apply its specific expertise into the formulation and implementation of corporate strategies.

Nevertheless, the contribution of board of directors to strategy and the popularity of such practice continue to be topics of discussion (Golden & Zajac, 2001). There is still an ongoing debate as to whether boards influence organizational performance through the various strategic choices they adopt in a changing environment or whether their influence is purely a matter of a direct outcome that requires no strategic intervention. This scenario raises a fundamental question that is the crux of this study; Does corporate governance directly influence organizational performance or does it indirectly influence organizational performance through strategic choices adopted by the board of directors or its equivalents? In their revision of the Upper Echelon theory, Carpenter et al. (2004) conceived strategic choices as a possible mediator in the relationship between corporate management and firm performance, thus suggesting the need for further investigation of the relationship between the variables.

Kamau, Aosa, Machuki & Pokhariyal (2018) found a partial mediation effect of strategic choices on the relationship between corporate governance and organizational performance in a study that sought to investigate the relationship between corporate governance, strategic choices and performance of financial institutions in Kenya. It was concluded that although corporate governance was a key determinant of organizational performance, adoption of appropriate strategic choices enhanced performance of those financial institutions. No known study has however confirmed or contradicted the results from this study and thus its implication for the current study. Thus, the objective of this study was to determine the mediating effect of strategic choices on the relationship between corporate governance and performance of universities in Kenya, presented in the hypothesis below;

$\mathbf{H_1}$***: Strategic choices have no significant mediating effect on the relationship between corporate governance and performance of universities in Kenya.***

3.0 Methodology

The study adopted a pragmatic paradigm with a focus on eight purposively selected universities based on 2019 webometric rankings. The first four public and four private universities ranked in positions one to four were selected in each category. Among public universities, The University of Nairobi (UoN), Kenyatta University (KU), Egerton University (EU) and Moi University are ranked in position one to four respectively and were therefore picked to represent public universities. For private universities, Strathmore University (SU), Catholic University of Eastern Africa (CUEA), United States International University (USIU) and Daystar University (DU) were ranked in position one to four respectively and were thus picked to represent private universities. It adopted an explanatory survey research design which is highly recommended for studies involving testing of research hypotheses that specify the nature and direction of the relationships between or among variables being studied and allows statistical analysis of data, which are inherent characteristics of this study. The sample size was 248 respondents drawn from a target population of 653 formed of universities' management board members and deans/director/HoDs defined as senior management academic staff using Yamane's (1967) formula stated as $n = \frac{N}{1+N(e)^2}$ where; **n**= the required sample size, **N**- population size and **e**- the precision level at a precision level of 95 % with a ±5 margin of error.

Structured questionnaire segregated along five main sections was used to collect primary data analyzed using both descriptive and inferential statistics. A hierarchical regression analysis using Ordinary Least Squares (OLS) regression model for testing hypothesis was conducted following Baron & Kenny's (1986) path analysis model for testing mediation. Results are presented in tables 2.0 to 5.0. The first step of the analysis involved regressing organizational performance (DV) on corporate governance (IV). The second step involved regressing strategic choices (MV) on corporate governance (IV) while the third step entailed regressing organizational performance (DV) on strategic choices (MV). In the fourth step, organizational performance is regressed on corporate governance while controlling for strategic choices. The regression equations are summarized below.

Hierarchical Regression

Step1: PU=$\beta_{\circ}$+β_1CG+ε

Step 2: SC=$\beta_{\circ}$+β_1CG+ε

Step 3: PU=$\beta_{\circ}$+β_2SC+ε

Step 4: PU=$\beta_{\circ}$+β_1CG+β_2SC+ε

PU=Performance of Universities

$\beta_{\circ}$= Constant

$\beta_{1,}\beta_2$= Regression coefficients

CG= Composite index for corporate governance

SC= Composite index for strategic choices

ε = Error term

The path analysis model in figure 1 proposed by Baron & Kenny (1986) was also used to depict the interaction relationship between the study variables

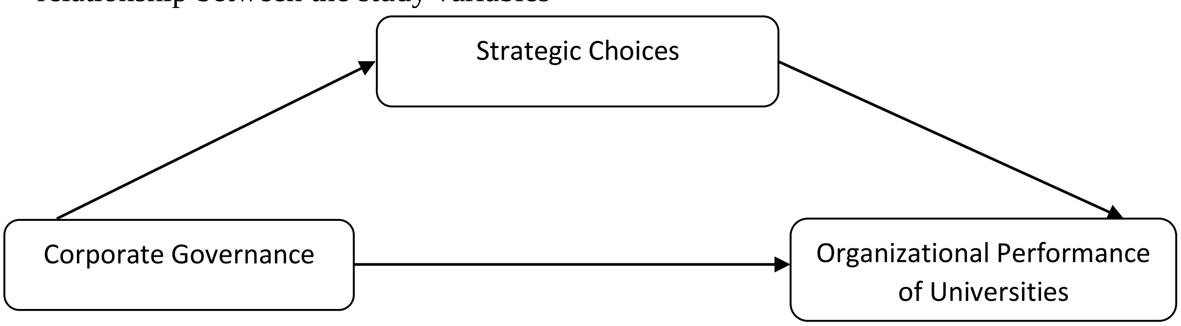

Figure 1: The Path Analysis Model for Test of Mediation

Source: Adapted from Baron, R.M., & Kenny, D. A. (1986). The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic and Statistical Considerations. *Journal of Personality and Social Psychology*, 51, 1173- 1182.

First and foremost, for conditions of a mediating relationship to be met, there should be evidence that a statistically significant relationship exists between the independent variable (corporate governance) and dependent variable (organizational of performance of universities), forming path A of the model. The second path, path B serves to demonstrate that a statistically significant relationship exists between the mediating variable (strategic choices) and the independent variable (corporate governance) while path C illustrates that there should be a statistically significant relationship between the mediating variable (strategic choices) and the dependent variable (organizational performance of universities) and finally that both the independent and mediating variables have statistically significant effect on the dependent variable.

When the data indices for the mediator and independent variables are entered into the model concurrently in order to predict the dependent variable and confirm mediation, path A in the final step becomes insignificant (full mediation). For partial mediation to be assumed, all or some of the preceding first steps have to be statistically significant. Or it is assumed when in step four, the effect of corporate governance and strategic choices on organizational performance is not statistically significant but the values of the effect of strategic choices on performance of universities is above zero.

4.0 Results

The objective of the study was to determine the mediating effect of strategic choices on the relationship between corporate governance and performance of universities in Kenya. To achieve this, the respondents' knowledge, experience, opinion, perception about whether some statements contained in the questionnaire applied to their universities was assessed.

4.1 Response Return Rate

Out of the two hundred and forty eight (248) questionnaires administered, one hundred and sixty two (162) dully filled were returned, realizing a return rate of 65.3% which compares well with similar previous studies; Cook *et al*. (2000) 55.6%, Ballantyne (2005) 55%, Ogier (2005) 65%, Nair *et al*., (2005) 56% and Kamau (2018) 67%. Data was collected within a period of three weeks. Two telephone call reminders were also made to the respondents within the collection period. Although there is no consensus among scholars on response return rate, Richardson (2005) and Baruch & Holtom (2008) posit that a response rate of 60% and 52.7% or more in social research respectively is acceptable for analysis. Saunders *et al*. (2009) argue that response rates vary depending on the attributes of the chosen questionnaire. The researcher, therefore, found the study response return rate acceptable for analysis and presentation of results based on Richardson (2005) and Baruch & Holtom (2008). Some respondents did not participate in the study citing lack of time to fill the questionnaires while others refused to participate without giving any reasons.

The data collected met the regression assumptions for further analysis and reliable with a Cronbach's alpha index ranging between 0.821 (corporate governance), 0.974 (strategic choices) and 0.836 (performance of universities). Validity was confirmed by calculating scale validity index at 0.88. The respondents' academic qualification oscillated around only two levels; Doctorate or PhD and Masters. 78.4% of the respondents had attained Doctorate or PhD while 21.6% had attained Masters as highest level of academic qualification. Majority, 35.8% of the respondents had served in their universities for between 6-10 years. Only 26.5% had worked for less than 5 years in their universities. Regarding the years of service in their current administrative positions, majority, 46.9% of the respondents had served in their current positions for between 3 to 5 years. Only 16.1% had served in their current position for less than 2 years. Another 22.2% and 12.3% had served for between 6-8 years and 9-11 years respectively. One respondent representing 0.6% had served in their current position for over 15 years. This means that majority of the respondents had covered strategic planning period while serving in their current positions and therefore had most likely undertaken strategic decision making roles within the framework of corporate governance and organizational performance.

4.2 Correlation Results

The broad objective of the study was to determine whether strategic choices have a mediating effect on the relationship between corporate governance and performance of universities in Kenya. Correlation analysis aimed at identifying the direction and strength of the relationship among the main variables in the study. In order to examine the relationships, Pearson Product Moment Coefficient technique was applied to establish

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whether the three variables of the study were highly correlated as to inflate outcomes. Inflated outcomes should be avoided to improve credibility of research findings. According to Hair *et al* (2006), assessment of correlation is guided by the following sequence; very strong (values of 0.81 to 1.0); strong (values of 0.61 to 0.80); moderate (values of 0.41 to 0.60); weak (values of 0.21 to 0.40); nil (values of 0.00 to 0.20). Table 1.0 presents summary results of correlation analysis.

Table 1.0: Correlation Matrix of Study Variables

Item		[1]	[2]	[3]
[1] Corporate governance	Pearson Correlation	1		
	Sig. (2-tailed)	0.000		
	N	162		
[2] Strategic Choices	Pearson Correlation	.615**	1	
	Sig. (2-tailed)	0.000		
	N	162	162	
[3] Performance of universities	Pearson Correlation	.462**	.419**	1
	Sig. (2-tailed)	0.000	0.000	
	N	162	162	162

Source: Research Data (2019)

Correlation analysis results in table 1.0 reveal significant and positive correlation between corporate governance, strategic choices and performance of universities. The table shows a significant relationship between corporate governance and performance of universities ($r = 0.462$, p- value< 0.05). The strength and direction of the relationship is moderate and positive respectively. Equally, the results indicate a significant and positive relationship between corporate governance and strategic choices ($r = 0.615$, p-value<0.05). The strength of the relationship is strong. The table further shows that a significant and positive relationship between strategic choices and performance of universities is exists at ($r = 0.419$, p-value<0.05). The strength of the relationship is moderate. Overall, the results demonstrate that the practice of good corporate governance is an effective way of improving performance outcomes in universities and that the strategic choices made at various levels by universities from time to time and coupled has a bearing on the performance of the universities.

4.3 Results for test of hypothesis

Results obtained from the hierarchical regression analysis are presented in tables 2.0 to 5.0

In step 1, organizational performance of universities (DV) is regressed on corporate governance (IV) and results presented in table 2.0.

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Table 2.0: Step 1 Regression Results for the Mediating Effect of Strategic Choices on the Relationship between Corporate Governance and Performance of Universities

Model Summary

Model 1	R	R^2	Adj. R^2	Std. Error of Estimate
	.193	.213	.209	6.6612

ANOVA

Model	Sum of Squares	Df	Mean Squares	F	Sig.
Regression	1926	1	1926.310	43.410	0.000
Residual	7099	160	44.37		
Total	9025	161			

Coefficients

Model	Unstandardized Coefficient	Standard Error	T	Sig.	Model Equation
Constant	19.880	2.100	9.450	0.000	Y = 19.880 + 0.263CG
Corporate governance(CG)	.263	.039	6.590	0.000	

Predictors: Corporate governance (CG)

Dependent Variable: Performance of universities (PU)

Source: Research Data (2019)

Results presented in table 2.0 show that corporate governance is responsible for 21.3% variation in performance of universities at R^2= 0.213, F= 43.410, p-value<0.05. The effect of corporate governance on performance of universities is statistically significant and robust. Thus, the results reveal a goodness of fit for the regression model. The table further reveals a statistically significant beta coefficient at β= .263, t=6.590, p-value<0.05, demonstrating that for every unit change in corporate governance, there is a 26.3% corresponding increase in performance of universities in Kenya, indicating a strong relationship between the variables in step 1.

In step 2, strategic choices (MV) is regressed on corporate governance (IV) and results presented in table 3.0.

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Table 3.0: Step 2 Regression Results for the Mediating Effect of Strategic Choices on the Relationship between Corporate Governance and Performance of Universities

Model Summary

Model 2	R	R^2	Adj. R^2	Std. Error of Estimate
	.339	.378	.374	10.4146

ANOVA

Model	Sum of Squares	df	Mean Squares	F	Sig.
Regression	10549	1	10549.0	97.26	0.000
Residual	17354	160	108.50		
Total	27903	161			

Coefficients

Model	Unstandardized Coefficient	Standard Error	t	Sig.	Model Equation
Constant	11.050	4.140	2.670	0.008	Y=11.050 + 1.174SC
Corporate governance (CG)	1.174	.119	9.860	0.000	

Predictors: Corporate governance (CG)
Dependent Variable: Strategic choices (SC)
Source: Research Data (2019)

Results presented in table 3.0 show that corporate governance is responsible for 37.8% variation in strategic choices at R^2= 0.378, F= 97.26, p-value<0.05. The effect of corporate governance on strategic choices is statistically significant and robust. Thus, the results reveal a goodness of fit for the regression model. The table further reveals a statistically significant beta coefficient at β= 1.174, t=9.860, p-value<0.05, demonstrating that for every unit change in corporate governance, there is a 117.4% corresponding increase in performance of universities in Kenya, equally indicating a strong relationship between the variables in step 2.

In step 3, organizational performance of universities (DV) is regressed on strategic choices (MV) and results presented in table 4.0.

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Table 4.0: Step 3 Regression Results for the Mediating Effect of Strategic Choices on the Relationship between Corporate Governance and Performance of Universities

Model Summary

Model 3	R	R^2	Adj. R^2	Std. Error of Estimate
	.134	.176	.170	6.8198

ANOVA

Model	Sum of Squares	df	Mean Squares	F	Sig.
Regression	1584	1	1584.17	34.060	0.000
Residual	7442	160	46.51		
Total	9026	161			

Coefficients

Model	Unstandardized Coefficient	Standard Error	t	Sig.	Model Equation
Constant	17.790	2.710	6.560	0.000	Y= 17.79 + 0.455 SC
Strategic choices (SC)	.455	.078	5.840	0.000	

Predictors: Strategic choices (SC)
Dependent Variable: Performance of universities (PU)
Source: Research Data (2019)

In table 4.0 results show that strategic choices explains 17.6% variation in performance of universities at R^2= 0.176, F= 34.060, p-value<0.05. Equally, the table shows that strategic choices have statistically significant and robust effect on performance of universities. The results also reveal a goodness of fit for the regression model. A statistically significant beta coefficient has been obtained at β= 0.455, t=5.840, p-value<0.05, demonstrating that for every unit change in strategic choices, there occurs a 45.5% corresponding increase in performance of universities in Kenya, further indicating a strong relationship between the variables in step 3. Consequently, the analysis proceeded to the fourth step.

In the fourth step organizational performance of universities (DV) is regressed on both corporate governance (DV) and strategic choices (MV). Results are presented in table 5.0.

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Table 5.0: Step 4 Regression Results for the Mediating Effect of Strategic Choices on the Relationship between Corporate Governance and Performance of Universities

Model Summary

Model	R	R^2	Adj. R^2	Std. Error of Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.193	.213	.209	6.6612	.213	43.410	1	162	0.000
2	.197	.243	.233	6.5566	.030	3.964	2	161	0.000

ANOVA

Model		Sum of Squares	Df	Mean Squares	F	Sig.
1	Regression	1926	1	1926.310	43.410	0.000
	Residual	7099	160	44.37		
	Total	9025	161			
2	Regression	2190.4	2	1095.19	25.480	0.000
	Residual	6835.4	159	42.99		
	Total	9025.8	161			

Coefficients

Model		Unstandardized Coefficient		t	Sig.	Model Equation
		B	Std. Error			
1	Constant	19.880	2.100	9.450	0.000	Y = 19.880 + 0.263CG
	Corporate governance(CG)	.263	.039	6.590	0.000	
2	Constant	15.720	2.660	5.900	0.000	Y= 15.72 + 0.236SC + 0.187CG
	Corporate governance (CG)	.187	.049	3.760	0.000	
	Strategic choices (SC)	.236	.095	2.480	0.014	

a. Predictors: (constant): Corporate governance
b. Predictors: (constant): Corporate governance (IV), Strategic choices (Mediator)
c. Dependent Variable: Performance of universities (DV)

Source: Research Data (2019)

Regression results presented in table 5.0 reveal statistically significant models exhibiting goodness of fit at R^2= 0.213, F= 43.410, p-value<0.05 and R^2= 0.243, F= 25.480, p-value<0.05 respectively. The table further shows that both the independent variable (corporate governance) and the mediating variable (strategic choices) in model 2 were statistically significant at beta coefficients of β=0.187, t=3.760, p-value<0.05) and β=0.236, t=2.480, p-value<0.05) respectively, meaning that even when controlling for strategic choices, the effect of corporate governance on performance of universities is still significant implying partial mediation. The table further reveals that there is a slight change in R-square (R^2) from 21.3% to 24.3% representing $\Delta R^2 = 3.0\%$ when the mediator (strategic choices) is introduced to the relationship between corporate governance and organizational performance, proving existence of a mediated relationship. The significant beta coefficients in model 2 demonstrate that for every unit change in corporate governance and strategic choices, there occurs 18.7% and 23.6% corresponding increase in performance of universities respectively.

Thus the hypothesis that strategic choices have no significant mediating effect on the relationship between corporate governance and performance of universities in Kenya is rejected. Strategic choices partially significantly mediate the relationship between corporate governance and performance of universities in Kenya. This suggests that an organization or a company that makes the right strategic decisions or choices can significantly improve its performance if the organization or company practices good corporate governance.

This finding is consistent with and confirms the findings of a previous study by Kamau *et al.,* (2018) who reported a partial mediation of strategic choices on the relationship between corporate governance and performance of financial institutions in Kenya. It has further supported the argument in the Upper Echelon theory that strategic choices are a plausible mediators in the relationship between corporate management and firm performance. The current study has, therefore, added to the limited body of literature about the relationship and interaction between corporate governance, strategic choices and organizational performance while having made a significant contribution to knowledge in the field of strategic management in higher education sector.

5.0 Conclusion

From the results, we conclude that the relationship between corporate governance and organizational performance is partially indirect through strategic choices. Strategic choices therefore partially mediate the relationship between corporate governance and firm performance. The right strategy choices can therefore act as effective enabler or bridge between corporate governance and desired level of organizational performance. As such, universities that enrich their corporate governance practices with competent strategic decisions are likely to achieve their desired levels of performance much faster and effectively. The study has, therefore, pointed to important areas that universities in Kenya and beyond should lay more emphasis. It has affirmed the strength of the Upper Echelon theory in explaining the role of the top management team characteristics in influencing organizational outcomes.

6.0 Recommendations

It is recommended based on the findings of the study that universities' top managers should seek and find alignment between their corporate governance practices and their strategy choices through effective strategic planning processes. This will provide enabling conditions for corporate governance to thrive and effectively promote performance. The top management of the universities should therefore consistently develop and effectively implement strategic plans that link their resources and capabilities with their external environment as a tool for enhancing performance.

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